Pennsylvania, New Jersey, Delaware, & West Virginia

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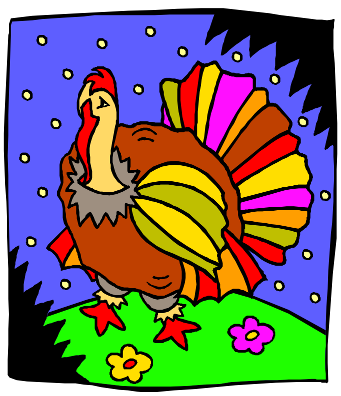
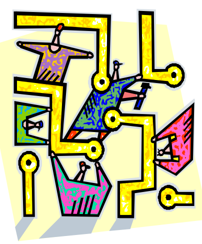


Difficult Development Areas



HUD published, in the August 22, 2005 Federal Register, the 2006 lists of Difficult Development Areas (DDAs) for Section 42 of the Internal Revenue Code, the Low-Income Housing Tax Credit (LIHTC). LIHTC projects in Difficult Development Areas (DDAs) are eligible for up to 30% additional LIHTC subsidy.

Following past practice of basing the coming year's designations on data from the immediately previous year, HUD based the 2006 designations on revised final fiscal year (FY) 2005 Fair Market Rents (FMRs), 2005 income limits, and 2000 Census population counts. The 2006 designation results in substantial change from the Difficult Development Areas designated for 2005 because the FY 2005 FMRs were the first to be benchmarked to the 2000 Census. The effect is particularly notable in non-metropolitan areas where the Census 2000 benchmarking of FMRs had the most impact. Of the 315 non-metropolitan counties to be designated 2006 DDAs, 172 were not DDAs in 2005; a total of 147 non-metropolitan 2005 DDAs will not be DDAs in 2006. Of the 27 metropolitan areas to be designated 2006 DDAs, 9 were not DDAs in 2005. A total of 5 metropolitan 2005 DDAs will not be DDAs in 2006.

The Qualified Census Tracts that HUD also designates for the LIHTC are not affected by this notice.

Complete information on the 2006 Difficult Development Areas and Qualified Census Tracts, including the list of designated areas and detailed designation methodology, is available on the HUD User website at: www.huduser.org/datasets/qct.html.

REAC Inspections

Since the inception of HUD's Enforcement Center protocol 37,757 inspections have been conducted and released to owners of 26,000 properties. Many of the properties were inspected more that once due to inspections being done annually- some had two or three inspections to provide owners with opportunities to make the necessary repairs. There are 17,500 properties that have had only one inspection, as they received an acceptable score or are awaiting a second score. There are 9,118 properties that have had more than one inspection because they had annual inspections or they were inspected 2 or 3 times in an attempt to allow the owner to cure the default.

Currently, of the 2,586 properties that received a first score of under 60, 1,334 received a second score of over 60 and will be inspected in the future according to outstanding protocol; 739 had one failed inspection and are awaiting a second inspection; 513 have had a second inspection that was a failure, so some sort of action was in order. Of the 513, the Field Offices have submitted 133 curative plans for review by Headquarters. Only 380 have thus far been subjected to some sort of decisive action, either initiated by the owner or by Housing.

Lead-Based Paint Settlement

Thousands of rental units nationwide will be rendered safe from lead-based paint hazards due to an agreement announced in August between the Department of Housing and Urban Development (HUD), the Environmental Protection Agency (EPA), and an Alexandria, Virginia-based landlord. HUD applauds the owners of AvalonBay Communities, Inc. for agreeing to undertake an extensive testing and abatement program after a self-audit determined the company may have failed to provide lead-based paint disclosure information to some of its tenants.

AvalonBay currently owns and manages 23 apartment complexes throughout the nation containing nearly 7,000 rental units, primarily in California. In 2003, AvalonBay approached HUD and EPA and proposed to conduct a self-audit to determine if its tenants were properly given lead-based paint disclosure information, as required by the Residential Lead-Based Paint Hazard Reduction Act. The company agreed to inspect all of its properties and determined all but five were free of lead-based paint. AvalonBay then undertook lead-based paint abatement work on two of the five remaining properties rendering them lead free. In addition, the company agreed to interim controls and an ongoing maintenance program to control lead hazards in the remaining properties in the future. It's estimated the total cost of these activities is more than $350,000. In addition, the company agreed to pay a civil penalty of $7,500 for failing to provide its tenants with lead-based paint disclosure information.

Dual-Flush Toilets

An economical way to save on water bills is to install dual-flush toilets. These toilets, which have been in use in Europe, Australia, and Japan for at least 30 years, offer 0.8 gallon and 1.6 gallon flushing options.

Their design is better than most of the 1.6 gallon, one-flush toilets that have generated so many complaints over the years. They are also reasonably priced, with most models costing less than $300 each.

Barriers to the Disabled

The results of an important research effort, titled "Discrimination Against Persons with Disabilities:
Barriers at Every Step," is now available through the HUD USER Clearinghouse. Together with its "Testing Guidance for Practitioners" companion piece, the "Barriers at Every Step" volume advances HUD's ability to verify inequities in housing opportunities for disabled persons.

The study employs a number of newly developed, field-tested tools for measuring housing discrimination that are: 1. Applicable to various kinds of disabilities and housing circumstances; 2. Useful in detecting differential treatment; 3. Viable for use in documenting refusal to make reasonable accommodations; and 4. Applicable to a larger, nationally representative sample of housing markets (both sale and rental).

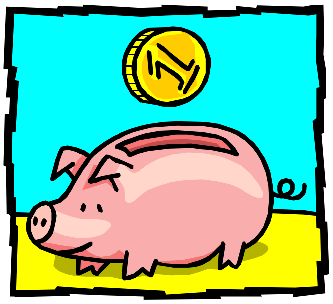
The study also systematically documents discrimination against two groups with disabilities in the Chicago metro area: deaf persons who used the TTY phone system to call about advertised rental housing and persons in wheelchairs who personally visited rentals to inquire about an available unit. One-fourth of the callers using the TTY system to follow up on rental unit advertisements received no service. A significant portion of deaf persons whose calls were accepted received less information about the application and how to get additional information than did their hearing counterparts. Adverse treatment occurred in one-half of the calls placed via the TTY system. One-third of customers in wheelchairs who personally made rental inquiries were also adversely treated. This treatment consisted of learning about fewer rental options than non-disabled customers, not being allowed to inspect units, and receiving less information about the application process.

A copy of this report is available as a free download from www.huduser.org/publications/hsgspec/dds.html or in printed form for a nominal fee by calling HUD USER at 1-800-245-2691.

Hub Employee News– Congratulations!

Diane Lima, Sr. Project Mgr. has received the designation, "Certified Property Manager" given by the Institute of Real Estate Management and has also been accepted into HUD's Emerging Leaders Program.

Section 8 Quality Control Plan



The Quality Control Project at HUD began in 1996 with a study designed to measure- and curtail- the extent of error in rent calculations and eligibility determinations in most of HUD's assisted housing programs. Two additional studies, in 2001 and 2003, continued the effort to increase the administrative accuracy of Public Housing Agencies and owner-administrators of assisted housing.

Tenants who are eligible for HUD's various assisted housing programs generally apply 30% of their income to rent, and HUD pays the remainder. HUD can end up paying too little or too much rental subsidy for several reasons. Applicants supply information about household characteristics, income, assets, and expenses that must be recertified annually by existing tenants. The information provided by tenants might be incorrect and not subjected to proper verification, the applicant or tenant might not be interviewed properly, or mistakes can occur in calculations and/or billing.

For the Quality Control Project, an error is "any rent calculation or eligibility determination that differs from what would have occurred if all HUD requirements were followed." The 2003 study sampled 600 housing projects in the U.S. and Puerto Rico, and gathered responses from 3,601 randomly selected households. A quality control rent was calculated for each household, using all of HUD's requirements, then compared to the actual rent paid by the tenant. Any difference greater than $5.00 between the actual rent and the quality control rent was considered an error.

The 2003 study found that 60% of all households were paying the correct amount of rent. Twenty-three percent were paying less than the correct rent amount and 18% were paying too much. In terms of dollars, this amounts to $377 million in over-subsidization for the year.

Nonetheless, this represents a 36.7% improvement in accuracy when compared to results of the 2000 study. This can be seen as "a significant reduction in erroneous payments attributed to program administrator income and rent determinations between 2000 and 2003," according to ORC Macro, an evaluator since the inception of the Quality Control Program.

The report contains additional details about the sources and frequency of particular types of error, describes progress made between 2000 and 2003, and offers a number of recommendations aimed at further error reduction. The full report, "Quality Control for Rental Assistance Subsidies Determinations for FY 2003," is available as a free download at: www.huduser.org/publications/pubasst/qualcontrol03.html. You can also read more about the Quality Control Project at: www.huduser.org/publications/pubasst/qualcntrlproj.html.

Energy Desk Book

Energy efficiency is essential to help the Department achieve its goals, including expanding affordable housing, increasing homeownership, and creating jobs and economic opportunity. In 2000, HUD published an Energy Desk Book which spotlighted the heavy burden utility costs can place on affordable housing and economic development. The book remains relevant today as it reviews the important energy mandates for HUD programs and discusses the resources available to reduce these costs for American families and communities. By improving energy efficiency, HUD can help families save money they otherwise would need to spend on energy-freeing up precious dollars for food, shelter, and other necessities. Lower utility costs also can help communities by helping business and industry and contributing to economic growth.

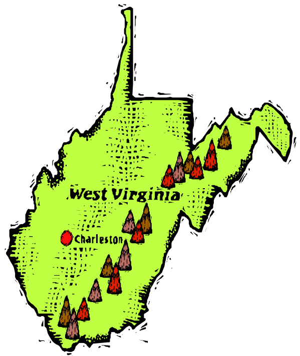
The Energy Desk Book is a tool that you may find useful to identify opportunities to incorporate energy conservation measures into your buildings. The book can be downloaded at:

www.huduser.org/publications/destech/destech3.html.

Condominium Fact

According to USA Today, condominium sales to redevelopers (for sales of at least $5 million) rose almost tenfold from 7,800 in 2002 to 70,800 in 2004. As of June 2005, 43,900 units were sold to developers. This caused thousands of renters to face the choice of buying their apartments or moving out.

Income Gap Smaller for WV



There is perhaps no better indicator of West Virginia's improving economy than the state's per capita personal income, which is catching up with the nation's, according to an article in the August 22, 2005 issue of the Daily Mail.

Per capita personal income "is one of the most basic indicators of the economic well-being of the general population and is a commonly tracked factor by most economists," said Tom Holder, manager of the West Virginia Development Office's Research and Strategic Planning Division. It is defined as total personal income divided by the population. The good news is, West Virginia's per capita personal income last year was $25,872- 79% of the nation's $32,937. West Virginia hasn't been that close to the national figure since 1982. Another optimistic note: West Virginia has gained on the national figure every year since 2000. The bad news is, West Virginia's per capita personal income still is 21% below the nation's. West Virginia ranks 48th among the states and trails all of its neighbors. Only two states- Arkansas and Mississippi- have lower per capita income. Mississippi is at the bottom of the list at $24,650. Connecticut ranks first at $45,398.

Per capita personal income is one of the key measurements tracked by the State Council for Community and Economic Development in its annual Economic Performance Benchmarking Report. The report provides an assessment of progress toward West Virginia's economic development goals set in “A Vision Shared,” the state's economic development strategic planning document.

The January 2005 report, put a red flag on per capita income because of the state's competitive gap. West Virginia's goal is to increase per capita personal income in the state to at least 80 percent of the national average within five years. Although the goal was not attained in 2004, the report noted that the state's competitive position improved because West Virginia is closing the gap with the nation.

Steve Shackelford, supervisor for research, information and analysis in the state Bureau of Employment Programs, noted that per capita personal income is total personal income divided by population. The state's population has been relatively stable, "so it's obvious that total personal income is driving this," he said.

West Virginia's improved performance is not surprising when one considers the state's job market and the fact that "most people earn their money by going to work," Shackelford said. "It was not so many years ago we had the highest unemployment rate in the United States," he said. "That's changed. West Virginia's unemployment rate has closed even to the point that in a lot of months we have had a rate that is lower than the nation's." Mark Muchow, Director of Fiscal Policy for the West Virginia Department of Revenue, pointed out that West Virginia leads the nation in terms of the percentage of personal income attributable to transfer payments- Medicare, Medicaid, Workers' Compensation benefits, food stamps and such. “Because a greater share of West Virginians' personal income comes from these sources, the state's economy is subject to a little less fluctuation over the long term than some other states,” Muchow said. However, the transfer payments contain a risk. The federal budget deficit is high and at some point efforts will be made to try to slow down the growth of federal programs. If those efforts succeed, "that will have a more acute effect here in West Virginia than in other places," he further remarked.

A mid-year review of the state's economy, published by the West Virginia University's Bureau of Business and Economic Research, is not optimistic about the state's per capita personal income growth. The review forecasts an average of 2.3% state growth per year, which is below the 2.6 percent growth rate forecast for the nation. The implication is that the state's income gap with the nation will widen from 21% this year to almost 22%, by 2009.

Section 202 & 811 Interest Rates

The Fiscal Year 2006 interest rate for Section 202 and Section 811 has been set at 4.75%.

Closings

The following two closings of FHA-Insured mortgaged properties occurred during the month of October 2005: Quaker Hill (Delaware), and Potomac Village (West Virginia).